

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2010-11

DEPARTMENT OF REVENUE

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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**DEPARTMENT OF REVENUE
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE OF CONTENTS

	Narrative Page	Numbers Page
Prioritized Supplementals in Department-Assigned Order		
Supplemental #1 - Legal Services Increase for Direct Marketing Association Case	1	17
Supplemental #2 - Driver's License Documents Line Increase	4	18
Supplemental #3 - Funding Driver and Vehicle Services	7	18
Supplemental #5 - Programming Costs for 2010 Session Legislation	9	18
Supplemental #6 - Lottery Variable Costs Adjustment	12	19
 Non-prioritized Supplementals		
Previously Approved Interim Supplemental - HB 10-1045 Appropriation Technical Correction	14	19
Statewide One Percent Across the Board General Fund Personal Services Reduction	15	20
Statewide Common Policy Supplemental Requests	16	21
Totals for All Supplementals	N.A.	21

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Prioritized Supplementals

**Supplemental Request, Department Priority #1
 Legal Services Increase for Direct Marketing Association Case**

	Request	Recommendation
Total	\$253,060	\$253,060
FTE	<u>0.0</u>	<u>0.0</u>
General Fund	253,060	253,060

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Department Request: The Department requests an increase in its appropriation for Legal Services of \$253,060 General Fund for FY 2010-11, which is divided among two line items. The request is for \$167,366 General Fund for Legal Services in the EDO, and \$85,694 General Fund for Personal Services in the Taxation Business Group, Taxation and Compliance Division.

Staff Recommendation: Staff recommends that the Committee approve the Department's request as detailed in the table below.

FY 2010-11 Supplemental Request - General Fund Legal Services Increase for Direct Marketing Association Case				
	FY 2010-11 Appropriation	Supplemental Request	Staff Recommends	Revised Appropriation
(1) Executive Director's Office, Legal Services	\$754,627	\$167,366	\$167,366	\$921,993
(4) Taxation Business Group, (B) Taxation and Compliance Division, Personal Services	<u>15,756,185</u>	<u>85,694</u>	<u>85,694</u>	<u>15,841,879</u>
Total	\$16,510,812	\$253,060	\$253,060	\$16,763,872

Staff Analysis: House Bill 10-1193, passed and enacted by the General Assembly during the 2010 session, includes several provisions that are designed to increase sales and use tax collections for

**DEPARTMENT OF REVENUE
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

purchases subject to sales and use tax by Colorado consumers from out-of-state companies. The major provisions are:

- Requires a retailer that does not collect Colorado Sales tax to inform purchasers of their use tax obligation at the time of each transaction.
- Requires a retailer that does not collect Colorado Sales tax to provide purchasers with an annual purchase summary.
- Requires a retailer that does not collect Colorado Sales tax to file an annual report with the Department of Revenue that includes the names, addresses, and total purchase amounts of Colorado purchasers.
- Specifies that a retailer that does not collect Colorado Sales Taxes is part of a controlled group of corporations, and that controlled group of corporation has a component member that is a retailer with a physical presence in this state, the retailer that does not collect sales tax is presumed to be doing business in this state. Allows for the retailer to present a rebuttal to this presumption.

The Department of Revenue has been sued in Federal Court by the Direct Marketing Association (DMA) over the provisions of H.B. 10-1193. The DMA alleges that the law discriminates against, is an improper regulation of, and burdens interstate commerce in violation of the Commerce Clause. The DMA also contends that the reporting requirement violates its members' and its customers' First Amendment right to free speech, invades the customer's privacy, and violates its members' rights under the Fifth Amendment Takings Clause (by taking property in the form of customer lists without compensation) and the Fourteenth Amendment Due Process Clause (deprivation of property without due process).

The appropriations clause of H.B. 10-1193, as enacted, included a legal services appropriation of \$40,000 to the Department of Revenue, which was reappropriated to the Department of Law. The \$40,000 appropriation corresponds to 545.2 legal services hours.

The DMA lawsuit has become more expensive to litigate than originally thought, due to several factors which have forced more legal work to be undertaken this year:

- The DMA has pursued an aggressive litigation strategy and timetable in federal court. The Department of Law has compiled a team of experienced litigators to aggressively defend the Bill in court.
- The DMA has retained very expensive experts, significantly increasing litigation costs. The Department of Law deposed DMA's experts and retained three experts to assist in the development of the State's legal defense.

**DEPARTMENT OF REVENUE
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

- The DMA filed a motion for a preliminary injunction to enjoin enforcement of the law pending the full trial. This motion is limited to the Commerce Clause challenge and essentially creates a mini-trial at an early stage.

For the reasons cited above, the Department of Law needs additional resources from the Department of Revenue to defend the State in the lawsuit. The request is broken down into two line items, Legal Services and Personal Services. The Legal Services appropriation is used to fund the Personal Services in the Department of Law for the work on the case. The Personal Services appropriation in the Department of Revenue is used to fund Litigation Expenses in the Department of Law. Litigation Expenses primarily are used to contract with expert witnesses who are retained on behalf of the State.

For FY 2010-11, the Department of Law projects that it will need \$207,366 in Personal Services and \$85,694 in Litigation Expenses for a total of \$293,060 to defend the State in this case. House Bill 10-1193 appropriated \$40,000, so the supplemental request is for \$253,060. In the Department of Revenue, the funds will come from the General Fund, and, in the Department of Law, the funds will be reappropriated funds.

The Department has been appropriated 11,165 legal services hours in the Long Bill since at least FY 2005-06. Since FY 2007-08 the Department of Revenue has experienced a cumulative shortfall of 1,731 hours in its legal services budget. In accordance with statutes, the Department has covered these shortfalls within its appropriated resources.

During the 2010 session, the General Assembly granted 5,400 hours of legal services hours in a budget amendment to address the Conservation Easement Backlog. Staff inquired as to the number of legal service hours expended in support of the additional hours granted to address the Conservation Easement backlog. As of December 31, the Department had expended 1835 legal services hours for that program, which represents 34 percent of the appropriation. The Department expects activity in support of this program to increase in the second half of the fiscal year as actions move forward, thus staff does not recommend funding the request for legal services hours out of the appropriation to address the Conservation Easement backlog.

Based on the information provided by the Department, including the Direct Marketing Association case, General Fund Legal Services expenditures by the Department are projected to be \$957,970 for FY 2010-11. The appropriation is \$714,627, leaving a deficit of \$243,343. Approval of the Department's request would reduce that projected deficit to \$75,977.

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

If this request is not funded, the Department's General Fund shortfall in legal services would be about 34 percent of its total General Fund appropriation. The Department would have to cover the shortfall from its other resources or delay the purchase of other legal services until the next fiscal year.

**Supplemental Request, Department Priority #2
 Driver's License Document Line Increase**

	Request	Recommendation
Total	<u>\$613,710</u>	<u>\$613,710</u>
Licensing Services Cash Fund	470,707	415,551
Identification Security Fund	143,003	198,159

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request meets supplemental criteria, but disagree on the reason. The Department states that this request is the result of <i>data that was not available when the original appropriation was made</i> . JBC staff believes this request is the result of a <i>technical error made in calculating the original appropriation</i> .	

Department Request: The Department requests an appropriation of \$613,710 cash funds in FY 2010-11 for the Driver's License Documents line in Driver and Vehicle Services, in the Division of Motor Vehicles. Of the total amount, \$470,707 is requested from the Licensing Services Cash Fund and \$143,003 is requested from the Identification Security Fund.

Staff Recommendation: Staff recommends that the Committee an appropriation of \$613,710 cash funds in FY 2010-11 for the Driver's License Documents line in Driver and Vehicle Services, in the Division of Motor Vehicles. Staff's recommendation differs from the Department's request in the distribution of funding from the two cash funds. Staff's recommendation of the distribution of the appropriation is comprised of \$415,551 from the Licensing Services Cash Fund and \$198,159 from the Identification Security Fund.

Staff Analysis: In 2000, S.B. 00-011 increased the length of time a driver's license was valid from five to ten years. This had the effect of reducing driver's license document issuance so that the state could save money and also decreasing the inconvenience faced by citizens in renewing their

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

licenses. In 2005, S.B. 05-047 returned the length of time a license was valid back to five years. Senate Bill 05-047 became effective on May 27, 2005, meaning licenses issued after that date would only be valid for five years.

Starting on May 27, 2010, the ten-year licenses were due for renewal at the same time as the first five-year licenses were due for renewal. This results in an increased requirement for license issuance. This increase is illustrated in the following table, which shows both the historical numbers of documents issued as well as projections for future fiscal years. In calculating the request, neither the Department nor JBC staff included the projected increases in the budget for FY 2010-11.

Division of Motor Vehicles Driver and Vehicle Services Driver's Licenses and other Documents Issued	
Fiscal Year	Documents Issued
FY 2001-02 Actual	1,421,633
FY 2002-03 Actual	1,344,645
FY 2003-04 Actual	1,078,943
FY 2004-05 Actual	1,173,424
FY 2005-06 Actual	1,056,710
FY 2006-07 Actual	898,784
FY 2007-08 Actual	908,393
FY 2008-09 Actual	866,332
FY 2009-10 Actual	905,836
FY 2010-11 Projection	1,126,673
FY 2011-12 Projection	1,407,161
FY 2012-13 Projection	1,417,141

The Driver's License Documents line item provides funding for a third party vendor to produce and mail driver's licenses and identification documents to the recipients. The cost for production and mailing of the cards is \$2.077 per document.

The line item also includes security features that provide facial recognition security, Social Security Online Verification (SSOLV) and Systematic Alien Verification for Entitlements (SAVE). The security features are paid from a separate charge on drivers licenses and identification documents of \$0.60, which is credited to the Identification Security Fund. Those security features currently cost

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

the state \$0.631 per document, which means that \$0.031 for those security features must be appropriated from fund balance or from other funds.

Based on the estimated number of documents needed, the expenditures for FY 2010-11 are detailed in the following table.

Driver's License Documents Line Item FY 2010-11 Supplemental Request Detail			
	Identification Security Fund	Licensing Services Cash Fund	Total Funding
Projected Document Issuance			1,126,673
Cost per document issued	\$0.631	\$2.077	\$2.708
Funding Required	\$710,931	\$2,340,100	\$3,051,030
Long Bill/H.B. 10-1387 Appropriations /a	644,550	1,792,770	2,437,320
Additional Funding Required	66,381	547,330	613,710
Departments Supplemental Request	143,003	470,707	613,710
Staff Recommendation	\$198,159	\$415,551	\$613,710

/a H.B. 10-1376 (The Long Bill) originally appropriated \$1,792,770 General Fund. H.B. 10-1387 refinanced the General Fund with funding from the Licensing Services Cash Fund.

The Department has requested a split that appropriates an additional \$143,003 from the Identification Security Fund (IDSF), and \$470,707 from the Licensing Services Cash Fund (LSCF). This increases the drain on the LSCF, which is projected to have a balance of \$0 at the end of FY 2010-11.

Staff's recommendation increases the appropriation of moneys from the IDSF. Staff's rationale for the different split of the cash funds is that under the Department's request, the IDSF will have a fund balance of \$233,377, which is in excess of the 16.5 percent statutory reserve requirement and staff's recommendation takes the fund balance down to the statutory reserve level. As will be discussed in the next supplemental, the LSCF is projected to have a \$0 fund balance at the end of FY 2010-11. The cash flow of the IDSF is detailed in the following table.

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Identification Security Fund FY 2010-11 Projections/Appropriations			
	No Action	DOR Request	JBC Staff Recommend.
Beginning LSCF Fund Balance	\$345,026	\$345,026	\$345,026
Projected Revenues	676,004	676,004	676,004
Projected Expenditures	<u>(644,650)</u>	<u>(644,650)</u>	<u>(644,650)</u>
Ending Fund Balance Before Supplementals	376,380	376,380	376,380
Supplemental # 2	<u>0</u>	<u>(143,003)</u>	<u>(198,159)</u>
Ending Balance	\$376,380	\$233,377	\$178,221

Staff's recommendation reduces expenditures from the LSCF. If staff's recommendations for both this supplemental and Supplemental # 3 are accepted, the LSCF will have a projected balance of \$55,156 at the end of FY 2010-11. While this reserve is far short of the statutory fund reserve requirement, it is at least a positive fund balance.

It is important for the JBC to understand that approval of staff's recommendation solves a short term funding problem in the LSCF but at the expense a long-term funding problem in the IDSF. The IDSF problem is that if the direct costs of providing the security features on a driver's license results in a loss to the State of \$.031 for every license that is issued. At the projected rate of document issuance, the IDSF will be insolvent in about four years, at which point the fee will either have to be increased or the shortage filled with other funds.

**Supplemental Request, Department Priority #3
 Funding Driver and Vehicle Services**

	Request	Recommendation
Total	<u>\$0</u>	<u>\$0</u>
Licensing Services Cash Fund	(1,149,174)	(1,149,174)
Highway Users Tax Fund "Off-the-Top"	1,149,174	1,149,174

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Department Request: The Department requests an increase of \$1,149,174 cash funds from the Highway Users Tax Fund (HUTF) "off-the-top" moneys and a corresponding decrease in cash funds from the Licensing Services Cash Fund (LSCF) for FY 2010-11. The request comes because revenues of the Licensing Services Cash Fund are falling below projections.

Staff Recommendation: Staff recommends that the Committee approve the Department's request.

Staff Analysis: During the last two sessions, the General Assembly has refinanced General Fund in the operations of driver's license offices with of funding from the LSCF and the HUTF. Senate Bill 09-274 partially refinanced the General Fund for the operation of driver's license offices in FY 2009-10. The bill diverted all driver's license fees to the LSCF from the HUTF. This action increased cash funding from the LSCF and HUTF by \$17.0 million, and decreased General Fund by \$16.2 million (the difference is the result of the pay date shift for General Fund employees). Including centrally appropriated expenses, this left approximately \$3.0 million in General Fund to fund operations of driver's license offices.

During the 2010 session, the General Assembly passed H.B. 10-1387, which authorized the use of HUTF off-the-top moneys in driver's license offices for FY 2010-11 and again diverted driver's license fees to the LSCF from the HUTF for FY 2010-11 and FY 2011-12. For FY 2010-11, with an additional \$2.7 million from the HUTF off-the-top moneys, allowed the LSCF to fund all driver's license office appropriations.

Revenue to the LSCF for FY 2009-10 came in significantly under projections. The Department had projected that total revenue to the LSCF would be \$23.1 million (including the diversion of driver's license fees), while actual revenues were \$18.4 million. When preparing the budget for FY 2009-10, the Department provided a projection of 1,074,250 documents to be issued in FY 2009-10, while actual documents issued were 905,836, a difference of 168,414 or 15.7 percent lower.

The Department instituted measures to restrict spending to match revenues, and ended FY 2009-10 with a fund balance of \$2.1 million. However, so far in FY 2010-11, document issuance is running even further behind projections, now by 257,352 or 18.6 percent lower. Current revenue projections provided by the Department show that the LSCF will earn \$21.7 million, over \$3 million less than the original projections. When including the Department of Revenue's requested appropriation in

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Supplemental # 2 for the Driver's License Documents line item, the projection show the LSCF to have a negative fund balance of \$1,149,174. The Department proposes to close that gap with an appropriation of \$1,149,174 from the HUTF off-the-top moneys. The recommended appropriation is detailed in the following table.

Licensing Services Cash Fund FY 2010-11 Projections/Appropriations			
	No Action	DOR Request	JBC Staff Recommend.
Beginning LSCF Fund Balance	\$2,064,747	\$2,064,747	\$2,064,747
Projected Revenues	21,075,493	21,075,493	21,075,493
Projected Expenditures	<u>(23,818,707)</u>	<u>(23,818,707)</u>	<u>(23,818,707)</u>
Ending Fund Balance Before Supplementals	(678,467)	(678,467)	(678,467)
Supplemental # 3 -Refinance LSCF with HUTF off-the-top	0	1,149,174	1,149,174
Supplemental # 2 - Driver's License Documents line increase	<u>(470,707)</u>	<u>(470,707)</u>	<u>(415,551)</u>
Ending Fund Balance	(\$1,149,174)	\$0	\$55,156

If the JBC adopted staff's recommendation in Supplemental #2, JBC staff's recommendation for this supplemental will provide the LSCF with a reserve of \$55,156 as opposed to a reserve of \$0 in the department's request. While this reserve is far less than the statutory reserve requirement, it is at least a positive balance.

**Supplemental Request, Department Priority #5
 Programming Costs for 2010 Session Legislation**

	Request	Recommendation
Total	\$32,558	\$32,558
FTE	<u>0.0</u>	<u>0.0</u>
General Fund	6,839	6,839
Cash Funds	25,719	25,719

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Department Request: The Department requests an appropriation of \$32,558 total funds, comprised of \$6,839 General Fund and \$25,719 cash funds

Staff Recommendation: Staff recommends that the Committee approve the Department's request.

Staff Analysis: Each year since the 2001 session, the Department of Revenue has received an appropriation in the Long Bill for programming required to implement legislation passed during the General Assembly session. After the Department has completed the required programming, the Department requests a supplemental either increasing or decreasing the appropriation to align spending authority with expenditures.

During the 2010 session, the General Assembly passed a total of 26 bills that required programming by the Department of Revenue. In addition, there were five bills passed during the 2009 session for which programming was required in FY 2010-11. Of these bills, 18 bills were funded by the General Fund, 15 bills were funded by cash funds, and one bill was funded by reappropriated funds (three bills were funded by multiple fund types). The programming costs for these bills are detailed in the following table.

Programming Costs for Session Legislation FY 2010-11 Bills Requiring Programming Costs						
Bill Number	Title	General Fund	Cash Funds	Reapprop. Funds	Total	
SB 09-098	Tax Exempt Blended Diesel Products	\$0	\$6,650	\$37,630	\$44,280	
SB 09-173	Use of Sales Tax to Support Tourism Activities	0	4,500	0	4,500	
HB 09-1067	Instream Flow Tax Incentives	23,796	0	0	23,796	
HB 09-1105	Creation of the Colorado Innovation Investment Tax Credit to be Applied Against State Income Taxes	29,977	0	0	29,977	

**DEPARTMENT OF REVENUE
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Programming Costs for Session Legislation FY 2010-11 Bills Requiring Programming Costs					
Bill Number	Title	General Fund	Cash Funds	Reapprop. Funds	Total
HB 09-1298	Economic Development for the Trucking Industry	19,315	0	0	19,315
SB 10-006	Reduction in Barriers to Obtaining Identity Related Documents	0	3,923	0	3,923
SB 10-075	Military Vehicles License Plates	0	4,708	0	4,708
SB 10-103	Creation of Colorado State Parks Special License Plate	0	3,531	0	3,531
SB 10-139	Check off to Benefit Unwanted Horses Foundation	30,443	0	0	30,443
SB 10-144	Registration of Equipment Mounted on a Motor Vehicle	34,601	0	0	34,601
SB 10-186	Voiding of Tax Refund Warrants not Cashed with Six Months	7,846	0	0	7,846
SB 10-198	Reduce Late Fees for Certain Vehicles without Motive Power	3,216	942	0	4,158
HB 10-1019	Parking Privileges for People with Disabilities	0	47,861	0	47,861
HB 10-1055	DOR Fees Paid to 3 rd Party Debt Collectors	3,923	0	0	3,923
HB 10-1060	Creates a Penalty for Failure to Comply with Severance Tax Withholding Requirements	1,569	0	0	1,569
HB 10-1073	Colorado 2-1-1 First Call for Help Check Off	30,443	0	0	30,443
HB 10-1139	Iraq Afghanistan Veteran License Plate	0	3,924	0	3,924
HB 10-1161	Creation of a Livery License Plate	0	51,784	0	51,784
HB 10-1172	Changes to Specific Ownership Tax for Class F Personal Property	0	7,846	0	7,846
HB 10-1189	Tax Sales of Direct Mail Ad Materials	1,570	0	0	1,570
HB 10-1190	Suspend Sales/Use Tax Exemption for Fuels Used for Industrial Purposes	1,570	0	0	1,570

**DEPARTMENT OF REVENUE
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Programming Costs for Session Legislation FY 2010-11 Bills Requiring Programming Costs					
Bill Number	Title	General Fund	Cash Funds	Reapprop. Funds	Total
HB 10-1191	Suspend Candy & Soda Sales Tax Exemption	1,570	0	0	1,570
HB 10-1192	Sales/Use Tax for Standardized Software	1,570	0	0	1,570
HB 10-1194	Expand Sales Tax to Bags and Containers	1,570	0	0	1,570
HB 10-1195	Suspension of exemption for Sales/Use Tax for certain items used in Agriculture	1,570	0	0	1,570
HB 10-1211	Reduce Late Vehicle Registration Penalty	0	942	0	942
HB 10-1212	Requires DOR to Establish Rules for the Exemption of SB 09-108 Late Fees	0	942	0	942
HB 10-1214	Special License Plate to Benefit Pet Over Population	0	38,053	0	38,053
HB 10-1238	Creates Wildlife Crossing Zones with Lower Speed Limits	8,238	0	0	8,238
HB 10-1243	Special District Transportation Related Services	25,892	36,092	0	61,984
HB 10-1387	Finance Driver's License Offices DOR	0	1,962	0	1,962
Economies of Scale for General Fund ^{/a} Programming		(148,752)	0	0	(148,752)
Economies of Scale for CSTARS Programming ^{/b}		0	(16,849)	0	(16,849)
Economies of Scale for Other Programming ^{/a}		<u>0</u>	<u>0</u>	<u>(37,630)</u>	<u>(37,630)</u>
Total for Legislative Programming		\$79,927	\$196,811	\$0	\$276,738
FY 2010-11 Long Bill Appropriation		<u>73,088</u>	<u>171,092</u>	<u>0</u>	<u>244,180</u>
Supplemental Request for FY 2010-11		\$6,839	\$25,719	\$0	\$32,558

^{/a} Includes a reduction associated with the multiple appropriations for the sales tax exemption bills passed during the 2010 session: H.B. 10-1189; H.B. 10-1190; H.B. 10-1191; H.B. 10-1192; H.B. 10-1194; and H.B. 10-1195. Also includes a reduction associated with appropriations provided through the 2010 Long Bill for H.B. 09-1067; H.B. 09-1105; and H.B. 01-1298.

^{/b} Includes a reduction associated with appropriations provided through the 2010 Long Bill for 2009 session bill, including S.B. 09-098 and S.B. 09-173.

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Supplemental Request, Department Priority #6
 Lottery Variable Costs Adjustment**

	Request	Recommendation
Total	\$22,842,556	\$22,842,556
FTE	<u>0.0</u>	<u>0.0</u>
Cash Funds	22,842,556	22,842,556

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Department Request: The Department requests an increase of \$22,842,556 cash funds from the State Lottery Fund for FY 2010-11.

Staff Recommendation: Staff recommends that the Committee approve the Department's request as detailed in the following table.

Colorado State Lottery FY 2010-11 Supplemental Request Cash Funds (State Lottery Fund)			
	FY 2010-11 Appropriation	Supplemental Request	Revised Appropriation
Vendor Fees	\$12,376,154	\$195,350	\$12,571,504
Prizes	400,264,560	23,839,456	424,104,016
Powerball Prize Variance	12,960,000	(4,437,000)	8,523,000
Retailer Compensation	49,290,600	2,950,750	52,241,350
Ticket Costs	<u>6,284,000</u>	<u>294,000</u>	<u>6,578,000</u>
Total	\$481,175,314	\$22,842,556	\$504,017,870

Staff Analysis: These requested adjustments are necessary because the most recent sales forecast show sales have increased more than projected so far for this fiscal year. The Lottery uses an "upper limit" on sales based on forecast sales times 120 percent, which gives the Lottery enough spending

**DEPARTMENT OF REVENUE
FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

authority in each line to accommodate sales that are higher than forecast. The Department uses the mid-year supplementals to allow for the latest projections for lottery sales, adjusting the line items that vary directly with sales. While the Prizes and Powerball Prize Variance lines are continuously appropriated, they are included in this supplemental request to more accurately reflect the total appropriation.

The consequences of not having enough spending authority in these line items could mean the cancellation of lottery sales near the end of the fiscal year. Since these lines vary directly with sales, each sale of a lottery ticket increases the expenditures in these line items.

The one exception in these five lines is for the Powerball Prize Variance. This line item funds a reserve to pay the Multi-State Lottery Association (MUSL) for low-tier prize payouts (all prizes except the grand prize) and will increase or decrease based on the percentage of those prizes paid out in the State.

Non-Prioritized Supplementals

**Previously Approved Interim Supplemental
HB 10-1045 Appropriation Clause Technical Correction**

	Previously Approved
Total	<u>\$63,538</u>
Cash Funds	63,538

Description of Supplemental: The appropriation corrects a technical defect in H.B. 10-1045 (requiring a link between the Secretary of State and the Department of Revenue to facilitate address changes), which had an appropriation clause for FY 2010-11, but the bill's effective date is July 1, 2011. The State Controller would not release funds for these costs which the Department needs to comply with the requirement in the legislation that the link be established by July 1, 2011. The appropriation herein allows the Department of Revenue to establish the link as required.

The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves. Staff will include this supplemental in the Department's supplemental bill.

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Statewide One Percent Across the Board General Fund Personal Services Reduction

	Request
Total	(<u>\$291,194</u>)
General Fund	(291,194)

Department Request: The Department requests a one percent reduction to the General Fund portion of its personal services appropriations for FY 2010-11. The following table details the request:

One Percent Across the Board General Fund Personal Services Reduction						
Division, Line Item	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
(1) Executive Director's Office						
Personal Services	(67,608)	(67,608)	0	0	0	0.0
(2) Central Department Operations						
Personal Services	(45,635)	(45,635)	0	0	0	0.0
(4) Taxation Business Group (B) Taxation and Compliance Division						
Personal Services	(135,951)	(135,951)	0	0	0	0.0
(4) Taxation Business Group (C) Taxpayer Service Division						
Personal Services	(42,000)	(42,000)	0	0	0	0.0
Total	(\$291,194)	(\$291,194)	\$0	\$0	\$0	\$0

Staff Recommendation: The staff recommendation for this request is pending Committee approval of common policy supplementals. **Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves common policy supplementals.** If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

**DEPARTMENT OF REVENUE
 FY 2010-11 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Department's Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds /a	Reapprop. Funds	Federal Funds	FTE
Annual Fleet Vehicle Replacement	\$7,266	(\$1,058)	\$8,324	\$0	\$0	0.0
Printing of Statewide Warrants and Mainframe Documents	5,286	5,286	0	0	0	0.0
Department's Total Statewide Supplemental Requests	12,552	4,228	8,324	0	0	0.0

/a Cash funds in the Department of Revenue includes Highway User Tax Fund (HUTF) off-the-top appropriations. The cash funds request for the Annual Fleet Vehicle Replacement includes \$6,515 from the HUTF off-the-top.

Staff Recommendation: The staff recommendation for these requests is pending Committee approval of common policy supplementals. **Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves this common policy supplemental.** If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF REVENUE					
Executive Director - Roxy Huber					
Supplemental #1 - Legal Services Increase for Direct Marketing Association Case					
<i>(1) Executive Director's Office</i>					
Legal Services	<u>805,671</u>	<u>1,526,742</u>	<u>167,366</u>	<u>167,366</u>	<u>1,694,108</u>
General Fund	449,981	754,627	167,366	167,366	921,993
Cash Funds	343,915	760,340	0	0	760,340
HUTF	11,775	11,775	0	0	11,775
 <i>(4) Taxation Business Group (B) Taxation and Compliance Division</i>					
Personal Services	14,916,213	15,917,916	85,694	85,694	16,003,610
FTE	<u>191.5</u>	<u>241.4</u>	<u>0.0</u>	<u>0.0</u>	<u>241.4</u>
General Fund	14,787,771	15,756,185	85,694	85,694	15,841,879
Cash Funds	1,237	59,548	0	0	59,548
Reappropriated Funds	127,205	102,183	0	0	102,183
Total for Supplemental #1	15,721,884	17,444,658	253,060	253,060	17,697,718
FTE	<u>191.5</u>	<u>241.4</u>	<u>0.0</u>	<u>0.0</u>	<u>241.4</u>
General Fund	15,237,752	16,510,812	253,060	253,060	16,763,872
Cash Funds	345,152	819,888	0	0	819,888
HUTF	11,775	11,775	0	0	11,775
Reappropriated Funds	127,205	102,183	0	0	102,183

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #2 - Drivers License Document line increase					
<i>(5) Division of Motor Vehicles, (B) Driver and Vehicle Services</i>					
Drivers License Documents	<u>2,437,320</u>	<u>2,437,320</u>	<u>313,710</u>	<u>613,710</u>	<u>3,051,030</u>
General Fund	0	0	0	0	0
Licensing Services Cash Fund	1,792,770	1,792,770	170,707	415,551	2,208,321
Identification Security Fund	644,550	644,550	143,003	198,159	842,709
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Supplemental #3 - Funding Driver and Vehicle Services					
<i>(5) Division of Motor Vehicles, (B) Driver and Vehicle Services</i>					
Personal Services	18,616,596	16,714,739	0	0	16,714,739
FTE	<u>346.7</u>	<u>379.5</u>	<u>0.0</u>	<u>0.0</u>	<u>379.5</u>
General Fund	2,503,750	0	0	0	0
Cash Funds	12,202,625	16,714,739	(1,149,174)	(1,149,174)	15,565,565
HUTF	3,910,221	0	1,149,174	1,149,174	1,149,174
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Supplemental #5 - Programming Costs for 2010 Session Legislation					
<i>(3) Information Technology Division, (A) Systems Support</i>					
Programming Costs for 2010 Session					
Legislation	246,086	337,548	32,558	32,558	370,106
FTE	<u>0.0</u>	<u>3.0</u>	<u>0.0</u>	<u>0.0</u>	<u>3.0</u>
General Fund	132,316	73,088	6,839	6,839	79,927
Cash Funds	113,770	264,460	25,719	25,719	290,179
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	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #6 - Lottery Variable Costs Adjustment					
<i>(8) State Lottery Division</i>					
Vendor Fees - Cash Funds	9,623,664	12,376,154	195,350	195,350	12,571,504
Prizes - Cash Funds	313,919,655	400,264,560	23,839,456	23,839,456	424,104,016
Powerball Prize Variance - Cash Funds	7,575,512	12,960,000	(4,437,000)	(4,437,000)	8,523,000
Retailer Compensation - Cash Funds	38,146,774	49,290,600	2,950,750	2,950,750	52,241,350
Ticket Costs - Cash Funds	3,262,844	6,284,000	294,000	294,000	6,578,000
Total for Supplemental #6 - Cash Funds	372,528,449	481,175,314	22,842,556	22,842,556	504,017,870
Interim Supplemental #1 - H.B. 10-1045 Appropriation Clause Technical Correction					
<i>(3) Information Technology Division, (A) Systems Support</i>					
Programming Costs for Session Legislation	246,086	337,548	23,538	23,538	361,086
FTE	<u>0.0</u>	<u>3.0</u>	<u>0.0</u>	<u>0.0</u>	<u>3.0</u>
General Fund	132,316	73,088	0	0	73,088
Cash Funds	113,770	264,460	23,538	23,538	287,998

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>(5) Division of Motor Vehicles, (B) Driver and Vehicle Services</i>					
Personal Services	18,616,596	16,674,739	40,000	40,000	16,714,739
FTE	<u>346.7</u>	<u>379.5</u>	<u>0.0</u>	<u>0.0</u>	<u>379.5</u>
General Fund	2,503,750	0	0	0	0
Cash Funds	12,202,625	16,674,739	40,000	40,000	16,714,739
HUTF	3,910,221	0	0	0	0
Total for Interim Supplemental #1	18,862,682	17,012,287	63,538	63,538	17,075,825
FTE	<u>346.7</u>	<u>382.5</u>	<u>0.0</u>	<u>0.0</u>	<u>382.5</u>
General Fund	2,636,066	73,088	0	0	73,088
Cash Funds	12,316,395	16,939,199	63,538	63,538	17,002,737
HUTF	3,910,221	0	0	0	0
Totals Excluding Pending Items					
DEPARTMENT OF REVENUE					
Totals for ALL Departmental line items	641,378,367	703,504,663	Error!	Error!	#VALUE!
FTE	<u>1,357.1</u>	<u>1,521.5</u>	<u>0.0</u>	<u>0.0</u>	<u>1,521.5</u>
General Fund	71,918,780	70,714,586	259,899	259,899	70,974,485
Cash Funds	552,818,081	618,115,053	21,925,642	21,980,798	640,095,851
HUTF	13,876,087	12,321,924	1,149,174	1,149,174	13,471,098
Reappropriated Funds	1,372,812	1,537,481	0	0	1,537,481
Federal Funds	1,392,607	815,619	0	0	815,619

	FY 2009-10	FY 2010-11	Fiscal Year 2010-11 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Statewide One Percent Across the Board General Fund Personal Services Reduction (see narrative for more detail)					
Total - Various Line Items	N.A.	30,037,314	(291,194)	Pending	Pending
FTE		<u>473.2</u>	<u>0.0</u>		
General Fund		26,245,424	(291,194)		
Cash Funds		1,292,962	0		
HUTF		1,726,293	0		
Reappropriated Funds		772,635	0		
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Statewide Common Policy Supplementals (see narrative for more detail)					
	<u>N.A.</u>	<u>N.A.</u>	<u>12,552</u>	<u>Pending</u>	<u>N.A.</u>
General Fund			4,228		
Cash Funds			1,809		
HUTF			6,515		
<hr/>					
Totals Including Pending Items					
DEPARTMENT OF REVENUE					
Totals for ALL Departmental line items	641,378,367	703,504,663	Error!	Error!	#VALUE!
FTE	<u>1,357.1</u>	<u>1,521.5</u>	<u>0.0</u>	<u>0.0</u>	<u>1,521.5</u>
General Fund	71,918,780	70,714,586	(27,067)	259,899	70,974,485
Cash Funds	552,818,081	618,115,053	21,927,451	21,980,798	640,095,851
HUTF	13,876,087	12,321,924	1,155,689	1,149,174	13,471,098
Reappropriated Funds	1,372,812	1,537,481	0	0	1,537,481
Federal Funds	1,392,607	815,619	0	0	815,619

Key: N.A. = Not Applicable or Not Available